



Contribution of Migrant Workers to Overcome the External Imbalance Crisis in Sri Lanka

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Abstract

This study attempts to investigate the contribution of migrant workers to overcome the continuing external imbalance crisis in Sri Lanka. Migrant workers' remittances have become increasingly a significant source of foreign financing in Sri Lanka over the past few decades. Increase in remittances flows have greatly assisted Sri Lanka to minimize the difficulties arising from shortages of foreign financing. It has mainly offset the trade deficits in externally on the one hand and support to achieve the stability of several macro-economic variables in the economy internally on the other. In the long-run however, dependence on worker remittances to manage economy would be a risky strategy, when considering the modern global economic trends and negative social impact on the migrant families. Data gathered by the Central Bank of Sri Lanka suggest that the remittances are two fold higher than the tea export earnings and 20% higher in garment exports. The study further found that value of the remittances is over the value in foreign loans, grants and foreign direct investment (FDI) by 6%, 2% and 7% respectively. These findings suggest that with the exception of larger amount of foreign remittances the external finances of the country would be in a far more serious crisis than the current situation. When analyzing the relationship between remittances and key macro-economic variables, it was found that the growth of remittances has continually assisted to reduce difficulties faced by macroeconomic variables in Sri Lanka during the recent past. The consequent economic instability would setback economic growth. However, uncertainties in the world economy has experienced today and negative social impacts faced by migration workers and their families, policy makers have to be paid more to diversify the country's export structure, and to improve the trade balance than that of the rest of the balances in the current account balance of the payments.

Key words: *Migrant, Remittances, Dependent economy, FDI*

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